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COUNTY OF FRESNO
CALIFORNIA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2008

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COUNTY OF FRESNO
CALIFORNIA

SINGLE AUDIT REPORT
JUNE 30, 2008

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PRICE PAIGE & COMPANY

ACCOUNTANCY CORPORATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Members of the
Board of Supervisors
County of Fresno, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Fresno (County) as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. They are reported as items 08-01 and 08-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-02 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 08-03.

The County's response to the findings in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of, management, the Audit Committee, the Board of Supervisors and officials of the federal and state grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

December 19, 2008

PRICE PAIGE & COMPANY

ACCOUNTANCY CORPORATION

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB-CIRCULAR A-133

The Honorable Members of the
Board of Supervisors
County of Fresno, California

Compliance

We have audited the compliance of County of Fresno, California (County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The County's major federal programs are identified in the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-03.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-03 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Fresno, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 17, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Audit Committee, the Board of Supervisors and officials of the federal and state grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

March 17, 2009

COUNTY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Grantor/Grant Name</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
<u>Direct Federal Programs</u>		
Rural Housing Preservation Grant (2005)	10.433	11,406
Forest Reserve	10.665	1,205,992
Food Stamps	10.561	176,886,442
Food Stamps Administration	10.561	9,251,335
<u>Passed Thru State Dept Of Food And Agriculture</u>		
Egg 07-0085	10.162	3,625
<u>Passed Thru California Department Of Education</u>		
School Lunch, Breakfast, SP Milk	10.555	782,971
Total U.S. Department of Agriculture		<u><u>188,141,770</u></u>
<u>U.S. Department of Defense</u>		
<u>Direct Federal Programs</u>		
U. S. Flood Control	12.106	14,792
Total U.S. Department of Defense		<u><u>14,792</u></u>
<u>U.S. Institute of Museum and Library Services</u>		
<u>Direct Federal Programs</u>		
Early Learning with Families (LSTA)#40-6936	45.310	25,000
Total U.S. Institute of Museum and Library Services		<u><u>25,000</u></u>
<u>U.S Department of Health and Human Services</u>		
<u>Direct Federal Programs</u>		
Title IV E	93.568	1,646,018
Family Preservation Support Program	93.556	1,122,333
Healthy Start (MCH)	93.926	1,142,838
Cal Works Single	93.558	67,122,837
CWS TANF	93.558	4,471,257
Assistance AFDC - FG&U	93.558	96,955,959
RRP,RDP,RRP GR & Non AFDC	93.566	28,690
Refugee Cash Assistance (RCA)	93.566	25,940
Calwin	93.558	2,648,011
Public Authority	93.667	5,798,637
Licensing FFH	93.658	237,096
Administration-FC	93.658	1,213,318
Child Welfare Services (IVE)	93.658	12,403,348
Assistance-AFDC-FC	93.658	12,420,231
Adoptions Administration	93.659	712,802
Aid For Adoption	93.659	7,394,777
CWS Title XX	93.667	942,538
CWS IVB	93.645	675,898
Independent Living Skills	93.674	478,548

The accompanying notes are an integral part of this schedule.

**COUNTY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Grantor/Grant Name</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
<u>Passed Thru State Department of Health and Human Services</u>		
Immunization	93.268	468,096
Local Public Health Preparedness	93.069	836,082
Hospital Preparedness Program	93.889	258,545
Short/Doyle-Medical	93.778	14,009,117
TB - Federal	93.116	57,863
Pandemic Influenza	93.069	255,941
Supportive Services Crime/Security	93.041	72,528
Childhood Lead Poisoning Prevention	93.197	189,321
FMAA on Aging - Prevention	93.043	47,401
CARE / Ryan White	93.918	276,913
Refugee	93.576	40,993
Aids Early Intervention	93.918	344,063
Aids HIV Street Outreach	93.940	163,115
HIV Counseling and Testing	93.918	75,061
HIV Administration	93.940	14,572
HEPC	93.945	4,880
Aids Block Grant	93.940	66,789
Aids Exp (Aids Educ/Prev)	93.940	372,702
SAMHSA	93.958	301,117
Health Care for Children in Foster Care	93.568	384,957
CHDP PCG	93.994	637,770
Adolescent Family Life Program (AFLN)	93.994	573,418
In Home Supportive Serv.	93.667	5,245,009
A.P.S.	93.667	486,417
<u>Passed Thru State Department of Education</u>		
CC CDE	93.575	9,561,693
<u>Passed Thru State Department of Social Services</u>		
TANF	93.558	420,145
SB933 Placement	93.558	102,718
Admin Medi-Cal	93.778	38,432,822
RESS Program	93.566	768,311
Performance Incentive	93.558	6,219,192
<u>Passed Thru California Department of Community Health</u>		
Maternal And Child Health (MCH)	93.994	2,972,707
<u>Passed Thru California Dept of Child Support Services</u>		
Admin-Child Support	93.563	15,502,277
<u>Passed Thru California Department of Alcohol and Drug Programs</u>		
Drug Medi-Cal	93.778	3,200,795
Perinatal Fed Medi-Cal	93.778	95,626
SAPT Block	93.959	6,372,121
Total U.S. Department of Health and Human Services		<u><u>326,272,154</u></u>

The accompanying notes are an integral part of this schedule.

COUNTY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Grantor/Grant Name</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Federal Programs</u>		
Community Dev. Block Grant (CDBG)	14.218	5,100,280
Emergency Shelter	14.231	175,904
Home Investment Program	14.239	2,287,937
<u>Passed Thru California Community Health AIDS division</u>		
HOPWA / Ryan White	14.241	274,603
Total U.S. Department of Housing and Urban Development		<u>7,838,724</u>
<u>U.S. Department of Justice</u>		
<u>Direct Federal Programs</u>		
Federal Asset Forfeiture Program	16.000	18,232
Meth-Child Endangerment	16.710	135,107
Domestic Cannabis Eradication/Suppression Program	16.XXX	35,000
Marijuana Suppression	16.738	177,169
FCNET	16.738	528,869
ICAC - 2007-MU-MU-K020	16.543	107,447
Alien Assistance	16.606	1,035,345
DNA Grant Backlog	16.743	68,750
<u>Passed Thru California Department of Corrections and Rehabilitation</u>		
Juvenile Drug Court 104-07	16.523	45,251
<u>Passed Thru Correction Standard Authority</u>		
MIOCR 07-08	16.745	286,827
Title -V- STOP Program 07-08	16.548	171,018
<u>Passed Thru Office of Emergency Services</u>		
Victim Witness 07-08	16.575	305,364
V.O.I.S.E. 07-08	16.588	82,262
Elder Abuse 07-08	16.575	96,574
Violence Against Woman	16.588	110,000
Project Safe Neighborhood	16.609	42,685
<u>Passed Thru California Peace Officer Association</u>		
Project Safe Neighborhood	16.609	77,113
<u>Passed Thru Fresno Police Department</u>		
Justice Assistance Grant, #2005-F1031-CA-DJ	16.738	1,120
Justice Assistance Grant, #2006-DJ-BX-0749	16.738	26,208
Justice Assistance Grant, #2007-F2620-CA-DJ	16.738	24,232
Total U.S. Department of Justice		<u>3,374,573</u>

The accompanying notes are an integral part of this schedule.

COUNTY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Grantor/Grant Name</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Homeland Security</u>		
<u>Passed Thru the California Governor's Office of Homeland Security</u>		
FY05 Homeland Security Grant 2007-0008 HSGP	97.067	421,060
FY06 Homeland Security Grant 2006-71 LETPP	97.073	871,962
FY06 Homeland Security Grant 2006-15 SHSP	97.074	629,809
Office of SSLHM 2005-11	97.017	173,029
Total U.S. Department of Homeland Security		<u>2,095,860</u>
<u>U.S. Department of Transportation</u>		
<u>Passed Thru State Department of Transportation</u>		
<u>Highway Planning And Construction</u>		
Federal Highway Bridge	20.205	351,922
Federal Highway Bridge Replace	20.205	2,013,355
Demonstration Project	21.205	491,964
Bridge preventive maintenance Prog.	22.205	31,186
Federal Cong. Mit/Air Quality	20.205	1,328,003
Federal-Surface Trans. Prg.	20.205	8,093,899 *
<u>Passed Thru Dept Transportation Safety</u>		
OTS-PRIDE 07-08	20.600	90,583
<u>Passed Thru the Office of Traffic Safety</u>		
DMV-DUI Grant	20.601	48,393
DMV-DUI Drug Court 07-08	20.601	260,263
ARIPP	20.600	440,437
YODIPP	20.600	77,366
Federal Exchange Program	20.303	368,108
Total U.S. Department of Transportation		<u>13,595,479</u>
<u>U.S. Election Assistance Commission (EAC)</u>		
<u>Direct Federal Programs</u>		
HAVA 301	90.401	421,984
Total Grants		<u>541,780,335</u>

*Please refer to Note 6, Federal Surface Transportation Program.

COUNTY OF FRESNO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all of the federal award programs of the County of Fresno, California (County) for the year ended June 30, 2008. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

The County reporting entity is defined in Note 1 to the County's basic financial statements. The Fresno County Employees' Retirement Association is reported as a trust fund in the fund financial statements. The following County Service Areas, Lighting and Maintenance Districts and Waterworks Districts are blended as Special Revenue and Enterprise funds in the County's fund financial statements.

- County Service Areas 1, 2, 5, 7, 8, 10, 14, 18, 19, 23, 30, 31, 32, 33, 34, 35, 38, 39, 43, 44, 47, 49 and 50
- Van Ness Boulevard Estates Lighting District;
- County Maintenance Districts 1, 2, 3, 4, 5 and 6;
- Waterworks Districts 37, 38, 40, 41 and 42.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Information reported in the accompanying Schedule of Expenditures of Federal Awards is in substantial agreement with the information reported in the related federal financial reports for the major federal programs.

NOTE 4 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award revenues are reported in the County's basic financial statements as intergovernmental revenues principally in the General and Special Revenue Funds.

NOTE 5 - HOUSING AND REHABILITATION PROGRAM LOANS

The County participates in housing and rehabilitation programs whereby funds have been received by HUD in the current year and prior years for Housing and Rehabilitation loans. Total loans outstanding for these programs are \$34,470,958 at June 30, 2008. Interest earned and repayment of the loans are not refunded to the Federal Government but are used to make additional loans. Such loan amounts are not recorded in the accompanying schedule.

NOTE 6 - FEDERAL-SURFACE TRANSPORTATION PROGRAM

The Federal-Surface Transportation Program is reporting \$8,093,899 of expenditures on this schedule. This amount includes federal expenditures incurred during fiscal years 2004-05 (\$1,309,004), 2005-06 (\$929,366), and 2006-07 (\$800,404). These amounts were retroactively approved by the U.S. Department of Transportation during the current fiscal year.

NOTE 7 - AMOUNT PROVIDED TO SUBRECIPIENTS

The County has provided federal awards to various subrecipients. At June 30, 2008, amounts provided to subrecipients from each Federal program are not readily available and are not separately identified.

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COUNTY OF FRESNO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes No

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement
14.218	Community Development Block Grant
10.551/10.561	Food Stamps
93.778	Medi-Cal Assistance
93.959	Substance Abuse Prevention and Treatment (SAPT) Block Grant
20.205	Surface Transportation Program

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes X No

**COUNTY OF FRESNO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 08-01 Loans Receivable

General Fund loans receivable was understated by \$134,345. This understatement was the result of an error in preparing Form FCAC-170 Detail of Accounts Receivable by the Auditor Controller/Treasurer-Tax Collector Revenue Reimbursement Division. The accuracy of this form was not reviewed and resulted in the error. Once the error was identified, the adjusting entry was made and the CAFR was corrected.

Recommendation

Forms submitted by department should be reviewed for accuracy at the Department level prior to submission to FR&A. FR&A should perform a second review, as necessary, keeping materiality considerations in mind.

Management Response

FR&A uses FCAC forms as a way for County Departments to communicate the various financial transactions that have taken place within different County programs. Hundreds of FCAC forms are prepared by fiscal staff and then reviewed and approved by Managers and Business Managers who are most familiar with these programs prior to their submittal to FR&A. FR&A adjusts the financial statements based on information provided in the FCAC forms.

Finding 08-02 Public Administrator-Guardian Agency Fund

Total assets in the Public Administrator-Guardian Agency Fund were understated by \$2,591,878 due to an improper accounting adjustment made during the financial statement preparation process. Once the error was identified, the adjusting entry was made and the CAFR was corrected.

Recommendation

A "review checklist" should be used to ensure that a complete review of significant financial statement items is conducted by FR&A staff.

Management Response

This adjustment was noted by the auditors prior to the Financial Reporting and Audit Division (FR&A) staff's review of the Public Administrator-Guardian Agency fund draft financial statements. The external auditors start their audit procedures during the period that FR&A is preparing and reviewing financial statements. FR&A improved its internal control over the accuracy of this year's CAFR preparation by performing a more detailed review of each financial statement included in the report. A review checklist was developed requiring specific review procedures for each fund financial statement. Had the auditors not noted this adjustment as early as they did, we believe that our review process would have identified the discrepancy and the financial statements would have been corrected prior to finalizing the CAFR.

COUNTY OF FRESNO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARDS FINDING

Finding 08-03

In determination of eligibility for the Medi-Cal Assistance Program (CFDA # 93.778), through the Department of Health and Human Services, for the year 2008, the County eligibility worker is required to verify an applicant's lack of income with "The State of California – Department of Health Services Income and Eligibility Verification System Abstract (IEVS) Report" if the applicant has reported no income. This report contains information on the applicant's income and employment in accordance with program requirements. During compliance testing performed on 40 case files selected, 3 were missing this document. However, through further review of documentation, we satisfactorily determined that these applicant's were, in fact, eligible for Federal assistance.

Recommendation

County staff responsible for the eligibility determination and review of Medi-Cal cases must address current procedures of case file setup and maintenance, and establish additional procedures to ensure that case files are completed properly to support the determination of Federal eligibility in accordance with program requirements.

Management Response

In the review of the findings our corrective action plan is predicated on three main points that support each other and improve effectiveness.

First, the Department of Employment and Temporary Assistance will have workers trained by supervisory staff on our Policy and Procedure Guide, item 15-01-01, which calls for the requirement of obtaining the applicant IEVS documentation. The training will part of the Program Specialist Newsletter which is an online publication. The training will be recorded on our department E-SD6 database so that we will be able to track the personnel who have attended supervisory training.

Second, our department has developed an online testing process where we can post a test of the workers knowledge in a given subject area. In this case, in the next quarter the Medi-Cal quiz questions will be considered and developed which will determine how well the training was received by eligibility worker staff.

Third and finally, the Department has a Quality Control section dedicated to the review of Medi-Cal cases. The Department maintains an online case review system called Rushmore. During next year's process, the Quality Control unit will review a sample case in the Medi-Cal program to determine if staff are meeting the IEVS requirements. Data from these reviews will be provided to management and supervisory staff on an ongoing basis so that further correction, when necessary, can occur at the worker level.

We believe that this three-pronged approach will alleviate any further errors in this area.

**COUNTY OF FRESNO
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINANCIAL STATEMENT FINDINGS

CAPITAL ASSETS

Finding 07-01

Sheriff's Department vehicles were not included in the capital asset listing which was being used by the Financial Reporting Division of the County to prepare the Comprehensive Annual Financial Report (CAFR). An adjusting journal entry was required resulting in a \$2.6 million net increase to capital assets and a corresponding increase to net assets.

Recommendation

To help prevent future omissions, the Department should periodically scan their general ledger to search for any items that might require capitalization. A periodic inventory of capital assets should be taken and reconciled with reports from the PeopleSoft asset management system.

Status

Implemented

Finding 07-02

- a. Infrastructure additions were understated for the fiscal year ended June 30, 2006. Overlay costs incurred by contractors of approximately 5.7 million were not included in the schedule of additions which was provided by the Public Works department to the Financial Reporting Division.
- b. Infrastructure additions were understated for the fiscal year ended June 30, 2007, because the cost of County employee labor and other direct material costs were not included in the schedule of additions which was provided by the Public Works department to the Financial Reporting Division.
- c. The schedule of infrastructure additions we were provided was incorrect. It improperly included two projects that were previously capitalized in 2006 fiscal year.

Recommendation

The system for recording, processing, and summarizing infrastructure assets should be reviewed with key personnel in both the Auditor-Controller/Treasurer-Tax Collector's (ACCTC) Department and the Public Works Department. Policies should be reviewed and new procedures should be established as necessary that reduce to an acceptably low level the risk that these types of errors will not continue.

Status

Implemented

**COUNTY OF FRESNO
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

CAPITAL ASSETS (Continued)

Finding 07-03

ITSD assets were overstated by approximately \$8.9 million because ITSD financial management never reconciled their accounting records to the County financial reporting system (AMFS). This error was discovered by the internal audit department and resulted in a material adjustment to the CAFR.

Recommendation

ITSD accounting staff should perform an annual reconciliation of amounts reported in their internally prepared financial statements with amounts recorded in the PeopleSoft asset management system. The ACCTC should review the reconciliation for propriety.

Status

Implemented

Finding 07-04

In years prior to 2006, construction in progress for buildings was reported in the CAFR, but when the projects were completed, the finished buildings were not added to the capital asset system. They were simply deleted from the construction in progress balance. The total understatement resulting from this error amounted to approximately \$36 million.

Recommendation

The system for recording, processing, and summarizing construction in progress should be reviewed with key personnel in both the ACCTC and the Public Works Department. Policies should be reviewed and new procedures should be established as necessary that reduce to an acceptably low level the risk that these types of errors will not continue.

Status

Implemented

Finding 07-05

The County failed to record the donation of the Orange Cove library building valued at approximately \$125,000. No adequate system was in place at the departmental level or in the financial reporting division to identify and capture donated capital assets for inclusion in the CAFR.

Recommendation

The ACCTC should enforce its existing policy of reviewing all offers of donated assets prior to submitting to the Board of Supervisors for consideration. ACCTC staff should review Board of Supervisors agendas and minutes to search for and identify donated assets that require capitalization.

Status

Implemented

**COUNTY OF FRESNO
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

CAPITAL ASSETS (Continued)

Finding 07-06

The County AMFS system is not used to account for and depreciate all capital assets of the County. Several groups of assets are accounted for using Excel spreadsheets maintained by the Financial Reporting Division. As much as practically possible, all assets should be accounted for in the AMFS system.

Recommendation

ACCTC should begin the process of transferring all capital assets maintained on peripheral systems (spreadsheets) to the PeopleSoft asset management system. Departments should be reminded of Board policy requiring the use of the AMFS system and the primary system for recording capital assets.

Status

Implemented

UNRECORDED CAPITAL LEASES

Finding 07-07

An approximately \$8.9 million dollar lease payable for the Sheriff's public safety information system was not recorded in the County's financial reporting system. This resulted in a material understatement of liabilities. Once the error was identified, the adjusting entry was made and the CAFR was corrected.

Recommendation

A form should be developed, explained and forwarded to the departments for their use in submitting the required information related to long-term liabilities. Additionally, the ACCTC should review Board agendas and minutes of meetings for potential liabilities requiring disclosure in the Comprehensive Annual Financial Report (CAFR).

Status

Implemented

FINANCIAL REPORTING

Finding 07-08

The CAFR was not presented timely due primarily to erroneous or incomplete information provided by various departments. This resulted in numerous errors to the initial financial statement draft provided to the auditors. Material errors were identified and corrected through the audit process, however, the audit process is not a part of the County's internal control system and as such internal systems should be developed to facilitate the accurate preparation of financial statements.

Recommendation

ACCTC should clearly communicate with department heads the importance of accurate and timely accounting and reporting. ACCTC should communicate timeline and reporting problems to the Audit Committee on a periodic basis so that corrective action can be taken.

Status

Implemented

**COUNTY OF FRESNO
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

FINANCIAL REPORTING

Finding 07-09

The County's system for identifying material commitments requiring disclosure in the CAFR is inadequate. During the audit, we found that a \$2.5 million dollar liability payable to the State for a Medi-Cal overpayment was not recorded in the CAFR. Additionally, we found an unrecorded \$2 million loss contingency related to litigation that was settled and closed in July 2007.

Recommendation

A form should be developed, explained and forwarded to the departments for their use in submitting the required information related to long-term liabilities. Additionally, the ACCTC should review Board agendas and minutes of meetings for potential liabilities requiring disclosure in the Comprehensive Annual Financial Report (CAFR).

Status

Implemented

GASB 18

Finding 07-10

An approximately \$6.5 million dollar liability for postclosure costs related to the Mendota landfill was omitted from CAFR. This omission was the result of an incorrect application of GASB 18 which is the accounting standard that prescribes the proper accounting treatment for solid waste landfills. The County incorrectly interpreted GASB 18 as not applying to landfills that were no longer accepting solid waste.

Recommendation

The County has taken the necessary corrective action with respect to this specific finding. This error is an isolated occurrence resulting from an approximately thirteen year old interpretation of a technical accounting pronouncement.

Status

Implemented

**COUNTY OF FRESNO
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION III – FEDERAL AWARDS FINDINGS

Finding 07-11

In determination of eligibility for the Aid for Adoption Program (CFDA # 93.659), through the Department of Health and Human Services, for the year 2007, the County eligibility worker is required to complete and sign a Determination of Federal AFCD – Eligibility, Form FC-3. This form documents a child's information and eligibility verification in accordance with program requirements. During compliance testing performed on 44 case files selected, 9 were missing this document. This results in an error rate of 20%. Through review of additional documentation contained within the case files, we satisfactorily determined that these children were, in fact, eligible for Federal assistance.

Recommendation

County staff responsible for the eligibility determination and review of adoption assistance cases must address current procedures of case file setup and maintenance, and establish additional procedures to ensure that case files are completed properly to support the determination of Federal eligibility in accordance with program requirements.

Status

Implemented

Finding 07-12

The original Schedule of Expenditures of Federal Awards (SEFA) prepared and provided for audit by the County was incomplete. It did not include federal awards expended under the Child Care and Development Block Grant (CFDA # 93.575), which program is a major program as defined under OMB A-133. This omission was later identified by County staff during our audit and the SEFA was corrected.

Recommendation

We recommend that all departments, which have applied for and received grants, notify the designated individual in the Financial Reporting Division (FRD) of the application and award of any grants in a timely manner. In addition, all departments should provide a copy of the grant award agreement to the FRD. With this information, the FRD should then establish a system whereby expenditures under these federal awards are identified for proper reporting in the SEFA.

Status

Implemented